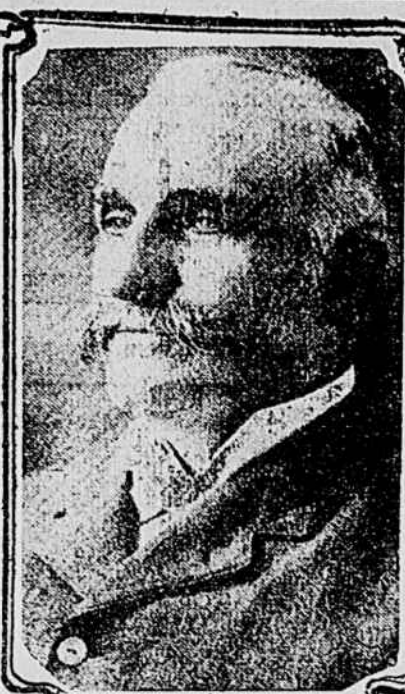


## Bankers from Other States Who Worked for Richmond



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der the quickest schedule currency, not only to the banks in her zone, but to the numerous cotton, tobacco and peanut buyers, and a telegram received in Richmond before the close of banking hours would enable currency shipments to reach practically all important points on the next day, in most cases before the opening of bank, and few situations will appeal more strongly to practical country bankers than this.

Again, Richmond is within easier and quicker reach of all the eastern centres of trade and finance than any other important Southern city, and is in the most exceptional position to act for the North in banking relations with the South, and for the South in dealing with the North.

No other city in the Atlantic Coast States occupies this advantageous position. The numerous lines to the south and west are not only a guarantee of promptness and efficiency, but an insurance against disaster, and from Washington and Baltimore and on to points beyond there is only one connecting line.

It is worth while to consider that a railway disaster, easily imaginable to this line, would cut off the South from any reserve centres placed north of Richmond, and should this occur at a critical time might cause financial confusion and even disaster to the South Atlantic States, and, since this idea emanates from a railroad man, it is entitled to the greater consideration.

**2.—Present Trend of Business.** It is a fact, certainly applicable to the Atlantic Coast States, that the trend of business, the course of commercial transactions and the currents of exchange are northward; or, in other words, from the outside towards the centres of finance and manufacture. This is the natural course of exchanges.

We believe that the operation of the Federal reserve act will revolutionize the existing method of using exchange in making settlements.

No act or rule will, however, reverse the natural course of settlements where the money is due, there it must be paid.

Virginia occupying the position of head of the Southern States, places Richmond in direct line with this natural trend, on the principal avenues for travel and transportation.

The railway lines from the South come into Virginia as into a funnel, Richmond being at the apex, the one line of railway being the tube leading to Washington and points North. She is a natural converging point.

The overwhelming volume of travel and transportation must go through this point.

**3.—The Natural Advantages of Richmond's Location With Reference to Other Federal Reserve Banks on the Atlantic Seaboard.**

It is plainly contemplated in the act, and must so work out in its normal operation, that these Federal banks will act not only as clearing-houses for members in their own zones, but between zones. The clearings between zones we believe will develop into enormous proportions, and the bank most advantageously located for clearing the transactions of any large section of country will have a great service to perform.

Time and distance must necessarily be most important factors in determining the location and selection of this bank for such a purpose.

To best perform it the means of communication must be superior.

The bank should not only be readily accessible to members in its own district, but in the general line of trade and natural current of banking transactions of the entire section, so as to preserve the continuous trend toward the centre of manufacture and finance where the greatest volume of settlements is made.

This essential principle is peculiarly applicable to the Atlantic Coast States and can there be worked out to great economic advantage that in any other part of the country.

It is axiomatic that quickness of communication is better assured by being on the line of greatest frequency of travel and the railroad schedules show how strikingly with regard to the northward trend and with particular reference to the financial and

business centres in line with that trend.

Therefore, to serve its own zone as a whole with the highest efficiency and economy, and at the same time to equally serve other zones in intimate relation with its own zone, a point midway along the line of quickest and most frequent communication, offers the ideal location; and Providence has placed Richmond in that position.

The Atlantic Coast States afford a distinct and peculiar problem in putting into effect the Federal reserve act. It was recognized both before and during the framing of and debate upon the act that the problem in the East was to decentralize reserves, while the object in other parts of the country is to concentrate them.

The States bordering on the Atlantic Coast have about 41 per cent of the population and 52 per cent of the national banking capital of the country, as follows:

**Figures in Millions.**

New England States: Maine ..... 11 Vermont ..... 7 New Hampshire ..... 6 Massachusetts ..... 95 Connecticut ..... 31 Rhode Island ..... 11

Eastern States: New York ..... 344 Pennsylvania ..... 253 New Jersey ..... 46 Delaware ..... 2 Maryland ..... 29

Southern States: Virginia ..... 25 North Carolina ..... 15 South Carolina ..... 8 Georgia ..... 25 Florida ..... 11

Total, \$124,000,000, or about 52 per cent of the national banking capital of the United States.

In giving our views upon this situation, we are doing, as we understand it, only that which the committee invites us to do, as before stated, and chiefly because it has an intimate relation with our own case. We therefore assume that the Atlantic Coast States, where the banking capital is so heavily concentrated, are entitled to, and perhaps must have, several reserve banks, located according to the density of banking operations, so as to carry out the purpose and spirit of the act and not disrupt or disturb the

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her national banking capital is three-fifths of that of the State.

Richmond is not a reserve city under the national banking law, and Virginia has no reserve city.

Her bank deposits have not been built up because of any inducements which other competing cities do not offer.

She is a natural reserve city.

The law governing Virginia State banks requires no specified amount of liabilities to be kept either in vault or in other banks.

The business of Richmond has developed these banking relations, and from Southern and Western States as a result of natural causes governed by the trend of business, the numerous and unexcelled means of communication, as well as by the attraction of capital.

The industrial and commercial relations and needs of this section have developed these banking relations.

The customary trend of business, free from all extraneous compelling influences has developed these relations, and the established custom of keeping checking accounts has simply grown up as a natural result of everyday business transactions.

It is to be considered that the Federal reserve act will, with its new principles of credit and exchange, alter in a great measure the banking customs

and practices which have grown up under the old law, and may, and probably will, revolutionize some of the practices of banking.

The trend and flow of exchanges will be altered to the extent that they have become artificial, and to the extent that they have been influenced by the location of reserve centres, the requirements of keeping reserve accounts, and the custom of sustaining balances in order to command credit.

It is altogether probable that results in many cases will be of an astonishing nature.

It is one of the purposes of the act to promote free banking relations, and under free banking relations it is clearly a justifiable conclusion that the service Richmond will have to perform will be a greater one because of being a natural trade, transportation and banking centre.

The law of physics is the law of commerce; it will follow the lines of least resistance. We will develop this point further on.

To further illustrate the natural flow of business to Virginia and Richmond, the national banks of Richmond, on October 21, 1913, had deposits from other national banks of \$7,500,000.

Deposits from other State banks, etc. .... 10,000,000

which compares with corresponding totals for Georgia, \$2,700,000; North Carolina, \$2,000,000; South Carolina, \$2,500,000; and Florida, \$2,000,000.

These deposits were exceeded by no other southern State east of the Mississippi River.

Illustrating the rapid growth and concentration of banking capital, the resources of Richmond banks were in 1890 ..... \$14,000,000 1903 ..... 32,000,000 1913 ..... 74,000,000

Her clearings in 1890 ..... \$175,000,000 1912 ..... 425,000,000

Richmond ranks in bank clearings among the first thirty cities in the United States, and compares with other Southern cities as follows:

Washington, D.C. .... \$387,000,000 Richmond ..... 424,000,000 Atlanta ..... 425,000,000

In the case of Richmond these clearings were for the city alone, while in the case of Atlanta they cover the State, with its 117 national and 653 State banks, with a few exceptions, and, as we understand, also points in adjoining States; and furthermore, in addition to her local clearings, Richmond handled \$400,000,000 in checks and drafts on the Southern States in a named, making her clearings on the

same principle, as we think, practically \$800,000,000.

Richmond's banking relations with States south of her show the great intimacy of trade relations with these States, and the statement following sets forth in the most illuminating manner the custom and trend of business under existing conditions, and notwithstanding the present system of bank reserve. (From Comptroller's report of 1912.)

Number of State and national banks in Virginia ..... 350 North Carolina ..... 429 South Carolina ..... 297 West Virginia ..... 766 Georgia ..... 204 Florida ..... 204

Number of accounts carried in Richmond by banks from Virginia ..... 623 North Carolina ..... 397 South Carolina ..... 182 West Virginia ..... 82 Georgia ..... 18 Florida ..... 18

Maximum deposits carried by other banks in Richmond: Virginia ..... \$5,467,657 North Carolina ..... 4,465,455 South Carolina ..... 326,773 West Virginia ..... 1,793,838 Georgia ..... 440,115 Florida ..... 423,918

Maximum loans by Richmond to other banks in 1913: Virginia ..... \$1,459,080 North Carolina ..... 1,416,897 South Carolina ..... 2,423,312 West Virginia ..... 90,700 Georgia ..... 669,900 Florida ..... 79,750

Maximum deposits in Richmond to credit of individuals, firms and corporations in North Carolina ..... \$3,225,363 South Carolina ..... 3,129,815

Maximum loans made in Richmond in 1913 to individuals, firms and corporations in North Carolina ..... \$5,345,451 South Carolina ..... 5,258,750

Maximum deposits of banks and individuals outside of Virginia in Richmond banks: North Carolina ..... \$7,690,829 South Carolina ..... 2,343,776

Maximum loans by Richmond to banks and individuals in North Carolina ..... \$7,445,931 South Carolina ..... 3,553,750

So that, banks, corporations and individuals outside of Richmond carried on deposit in Richmond banks, \$13,000,000.

It will be observed that in Virginia the number of bank accounts with Richmond greatly exceeds the number of banks.

In North Carolina it nearly equals the number of banks, and in South Carolina and West Virginia the number of banks is in proportion to the number of banks in Richmond.

Richmond's loans to other Southern States, and to individuals and corporations in these States, aggregated nearly \$14,000,000, a sum not far short of the aggregate borrowings and discounts on October 21, 1913, of national banks in any six Southern States, excluding Texas.

Richmond lends practically all of this capital in the South outside of Virginia. She does not use it herself. She is a credit clearing-house.

To meet the demands for crop and other purposes, Richmond during 1913 shipped \$14,000,000 in currency into this section.

In the volume of corporate capital, upon the income of which Virginia pays to the government a tax, she ranks easily first among all the Southern States.

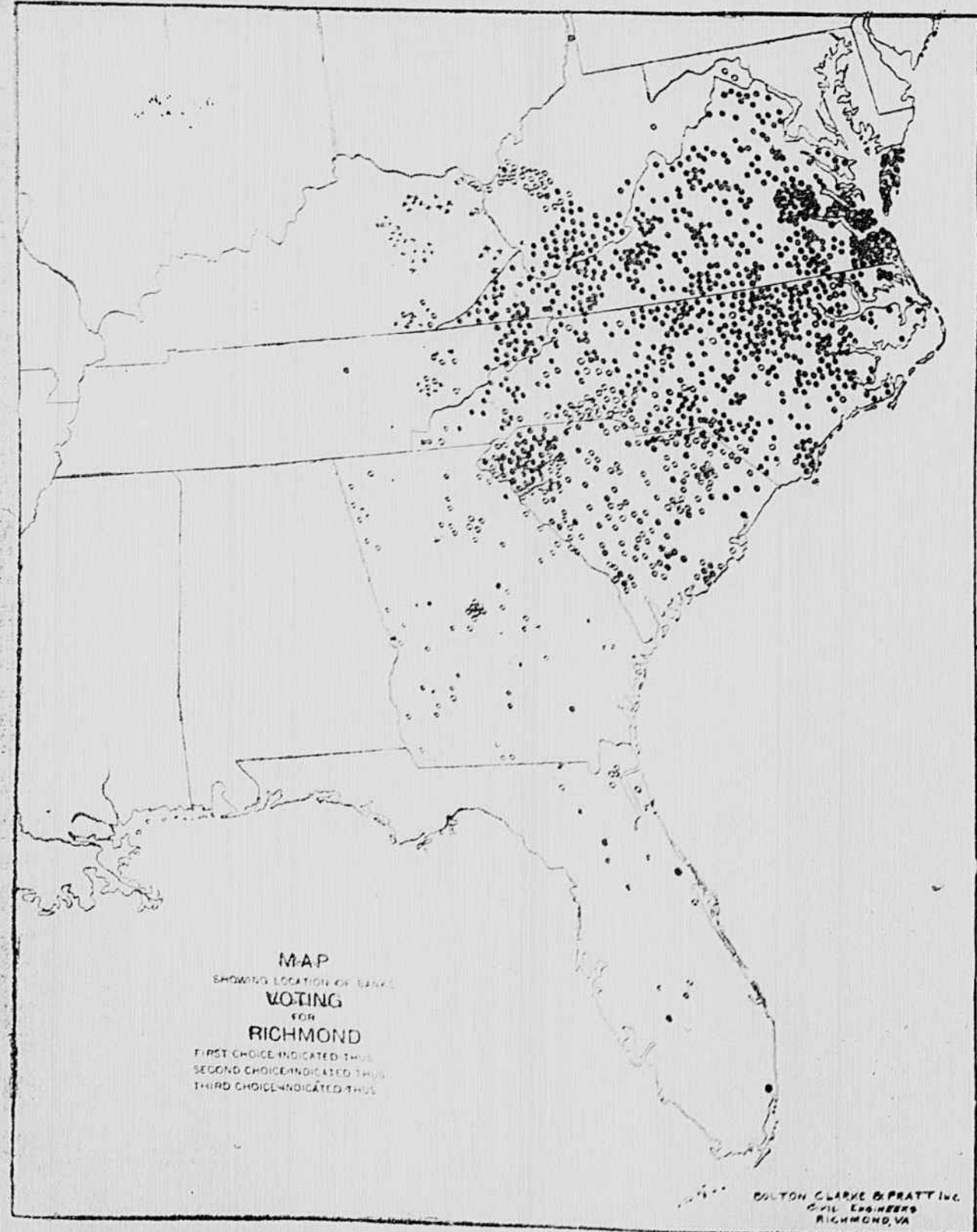
Virginia ..... \$342,000,000 Texas ..... 273,000,000 Georgia ..... 455,000,000

The amount Virginia pays to the support of the government in internal revenue taxes is exceeded only by that of the State of North Carolina among all the Southern States.

Virginia ..... \$8,300,000 North Carolina ..... 8,300,000 Georgia ..... 5,419,000

Alabama ..... 338,000 Louisiana ..... 5,000,000 Tennessee ..... 2,309,000

These comparisons are not given simply to show the commercial importance of the State of Virginia and of the city of Richmond, but rather to set forth the volume of business transactions centered in Richmond out of



ing for member banks and reserve banks between the North and South, and no other location can offer such practical advantages in economy of time which, according to the accepted adage, is synonymous with money.

One day's interest on the annual volume of exchanges between the northern and southern banks would mean a handsome profit to the movement. This one advantage alone is of such overweighing importance that it justifies our statement that Richmond's natural advantage of location cannot be overcome by any other consideration. It is difficult to name a feature of equal economic importance to the gain of a banking day in perpetuity.

It cuts the year in half, or doubles its length, according to whether it is operating for or against any point or points. Richmond would have that advantage over other large cities north of her in effecting these clearings between zones in the Atlantic States.

**4.—Comparative Commercial Importance.**

As to the comparative commercial importance of Richmond and of Virginia, with relation to this district, measured by capital, deposits and banking transactions.

Of the fifteen Atlantic Coast States, Virginia, as we have stated, ranks fifth in natural banking importance. There are only three other States on this side of the Mississippi which exceed Virginia in national banking capital—i.e., Illinois, Indiana and Ohio.

Among the twenty-six States on this side of the Mississippi, Virginia, therefore, ranks eighth in importance in the present national banking system, measured by that standard.

She stands financially, as well as geographically, at the head of all the Southern States east of the Mississippi River.

The aggregate national bank resources of these several States are as follows: (Comptroller's figures October 21, 1913.)

|                |               |
|----------------|---------------|
| Virginia       | \$143,000,000 |
| West Virginia  | 92,000,000    |
| North Carolina | 70,000,000    |
| South Carolina | 75,000,000    |
| Georgia        | 152,000,000   |
| Florida        | 76,000,000    |
| Alabama        | 96,000,000    |
| Mississippi    | 27,000,000    |
| Louisiana      | 59,000,000    |
| Tennessee      | 115,000,000   |

Virginia, therefore, leads by \$53,696,000 the State next highest in rank. Virginia maintains the same supremacy in the entire banking field.

The deposits in all classes of banks in these States are as follows:

|                |               |
|----------------|---------------|
| Virginia       | \$175,000,000 |
| North Carolina | 106,000,000   |
| South Carolina | 75,000,000    |
| Georgia        | 152,000,000   |
| Florida        | 76,000,000    |
| Alabama        | 96,000,000    |
| Mississippi    | 27,000,000    |
| Louisiana      | 147,000,000   |
| Tennessee      | 156,000,000   |

Virginia leads by about \$20,000,000 the State next highest in rank among the Southern States east of the Mississippi River.

As to Richmond, the national bank deposits of Richmond are two-fifths of such deposits in the entire State, while

